

**AMERICAN UNIVERSITY**  
**Rabbi Trust Contributions**

	<b>Initial Contributions</b>		<b>Market Value</b>
	<b>Amount</b>	<b>Adjusted *</b>	<b>8/31/2005</b>
<b>Benjamin Ladner</b>			
FY 2000 403(b) limit excess	\$19,833.49	\$21,630.08	
FY 2001 403(b) limit excess	\$19,916.82	\$20,526.33	
FY 2002 403(b) limit excess	\$25,666.82	\$25,666.82	
FY 2003 403(b) limit excess	\$19,309.28	\$19,309.28	
FY 2004 403(b) limit excess	\$21,748.70	\$21,748.70	
FY 2005 403(b) limit excess	\$20,780.68	\$20,780.68	
<b>Total - Supplemental Deferred Comp</b>	<b>\$127,255.79</b>	<b>\$129,661.90</b>	<b>\$159,229.00</b>
Deferred Comp - Retention 6/30/99	\$400,000.00	\$452,314.17	
Deferred Compensation 6/30/99	\$91,250.00	\$103,184.17	
Deferred Compensation 6/30/00	\$102,500.00	\$110,230.15	
Deferred Compensation 6/30/01	\$132,500.00	\$135,155.21	
Deferred Compensation 6/30/02	\$107,500.00	\$107,500.00	
Deferred Compensation 6/30/03	\$110,750.00	\$124,782.10	
Deferred Compensation 6/30/04	\$115,250.00	\$115,250.00	
Deferred Compensation 6/30/05	\$125,000.00	\$125,000.00	
<b>Total - Deferred Compensation</b>	<b>\$1,184,750.00</b>	<b>\$1,273,415.79</b>	<b>\$1,591,058.00</b>

\* Adjusted by an amount equal to the 90-day Treasury Bill rate, as authorized by BOT, due to delay in creation of Rabbi Trust and funding of investments

**AUSF 000001**

September 10, 2005

The Board of Trustees  
American University  
Washington, DC 20016

Dear Colleagues:

Before the start of the school year, I was preparing a convocation address for the campus community that described American University as having arrived at the edge of greatness as a university. I did not give that address, as you know. Sadly, given the recent turn of events, I now believe that in a surprisingly short time the University has arrived at the edge not of greatness but of an impending disaster that we will all regret and from which it will take years for the institution to recover.

Let's look at some of the difficulties we are facing. It seems not to be widely known among the Trustees that apparently for some months the leadership has failed to comply with the requirements of our Bylaws, Act of Incorporation, and D.C. laws, leaving individual members of the Board at risk, personally and collectively— and perhaps, under these conditions, without insurance for individual trustees. Moreover, according to the Act of Incorporation, it may require the forbearance of The United Methodist Church to prevent the assets of the corporation from reverting to the Church.

Secondly, the Board's outside counsel met with my attorneys recently and delivered a forceful message, namely that I should seriously consider negotiating a "planned departure" prior to the scheduled Board meeting on September 12, and that if I did not negotiate such a departure voluntarily before then, a motion of termination "with cause" (no retirement funds, no professorship, one month's pay) would go forward at that Board meeting. I take very seriously this coercive injunction coming from a legal representative of the Board, especially when set alongside the Board Chair's request to a Board member that he should convey to me— which he did— that the Chair (presumably representing the Executive Committee) recommends that I should put together an "exit strategy" for resigning.

Third, we have been laboring for some time under a serious communications problem. My lawyers tell me there will be an hour-and-a-half closed-session meeting on Monday, after which I will have 30 minutes to "make my case" (for 11 years) then depart. There is little doubt about why the meeting has been scripted this way and why significant materials, though requested, have been withheld from other trustees for weeks. It fits the pattern of recent Board meetings, during which time direct communication between the Board and me has largely ceased (I was given 10 minutes in the last eight hours of closed sessions over three Board meetings). Since last March, I have sought to meet with the Audit Committee, the Board, and the Executive Committee, and have been rebuffed at every turn. A month and a half ago, the Board Chair sent word to my assistant that I would be allowed to communicate with her only through our lawyers.

AUSF 000408

Finally, we seem unable to stop a minor arms race of litigation. The Audit and Executive Committees have spared no effort or expense in seeking to build a case against me, and my attorneys and I have been building a case— and we will continue to do so for as long as it takes— to defend our rights and restore Nancy's and my reputations.

Today, however, in the midst of my intense commitment to defend myself, my wife and family, my integrity— brain cells firing on all cylinders— I thought, as I have many times lately, "What are we doing?" What are we doing— to ourselves, to our colleagues, to the bonds of trust and friendship, perhaps irreparably damaged? What are we doing as a governing body of a major institution, as stewards of the University? What will be gained, and by whom? What we are doing to the University and its future?

We can continue on this adversarial course to the bitter end, and whoever wins, wins. In truth, of course, there will be no winners. The incalculable drain on the University's personal and financial resources, as well as its reputation, will not be recoverable for many years (it has been 15 years since the last AU blow-up). The Capital Campaign will be over; we will lose our hard-won bond ratings and ability to borrow; major donors will cancel their pledges; large international contracts will be cancelled; alumni will be embarrassed and will disappear; AU's positive profile will be tarnished, affecting student enrollments and faculty recruitment; numbers of trustees will resign; and for a very long time we will ask ourselves, and be asked, why we were willing to do this— in the name of what?

Alternatively, to enable us at least to try to address our issues in a context of collegiality, I have asked my lawyers to withdraw in favor of allowing us an opportunity to rely upon our own collective good sense and good will, rather than expanding the options of litigation. Pursuing the lawyer-to-lawyer approach has pushed us to the brink of a major catastrophe for the University, from which we need to step back. Instead of holding a Board meeting Monday that is presently structured as confrontational, we need time to discuss matters informally without the pressures of voting on what, after all, are some of the most serious issues an institution can face. Undoubtedly, I have made mistakes, which should be discussed face to face-- as has the Audit and Executive Committees and outside counsel, which should also be discussed in a context free of rancor and exaggeration.

Therefore, I propose that we meet alone, informally, as scheduled, at a "neutral" site away from lawyers' offices to try to foster a direct dialogue between us. We should set aside the aggressive options we have been pursuing at great cost to the University and create the conditions for achieving a new level of understanding. We need first and foremost to restore the Board's full compliance with all legal requirements, but also to resolve questions triggered by the anonymous letter(s).

I am proud of what we have accomplished together over the past eleven years. What we have achieved has been possible only because of our ability to work together. Now we are facing a great deal of unfinished business at a pivotal time in the University's history— completing the Strategic Plan, the Capital Campaign, facilities projects, building the Board, and much more.

I believe I am still the right person to lead the University in successfully meeting these challenges— with passion, commitment, and experience. It is certainly my strong desire

to do so. Getting beyond these legally disruptive issues with a renewed confidence that we are once again "on the same page" can leave us even stronger as a governing body and a University community.

Reconciliation— however difficult, however ambiguous, imprecise and unpredictable— is always worth the risk. In this case, the alternative is not.

I look forward to the response and participation of the trustees.

Sincerely,

Ben Ladner